

Kathleen Grillo  
Vice President  
Federal Regulatory



1300 I Street, NW, Suite 400 West  
Washington, DC 20005

Phone 202 515-2533  
Fax 202 336-7922  
kathleen.m.grillo@verizon.com

March 3, 2006

**EX PARTE**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**RE: CC Docket No. 96-45, In the Matter of Federal-State Joint Board on Universal Service**

Dear Ms. Dortch:

On March 2, 2006, Susanne Guyer, Kathleen Grillo, and Ed Shakin of Verizon and John Scott of Verizon Wireless met with Dan Gonzalez, Chief of Staff to Chairman Kevin Martin, and Ian Dillner, Acting Legal Advisor to Chairman Kevin Martin, regarding the universal service contribution methodology. Kathleen Grillo and Ed Shakin of Verizon and Anne Hoskins of Verizon Wireless also met with Dana Shaffer, Acting Legal Advisor to Commissioner Deborah Taylor Tate. The attached presentation formed the basis of these discussions.

Pursuant to Section 1.1206(b) of the Commission's rules, one electronic copy of this notice is being filed in the above-referenced proceeding.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Grillo".

Kathleen Grillo

Attachment

cc: Dan Gonzalez  
Ian Dillner  
Dana Shaffer



### **Universal Service Contribution Methodology**

- Reform of the current interstate revenue-based system is critical to the long term sustainability of the USF.
- Declines in long distance revenues, combined with the proliferation of bundled services and IP-based alternatives to traditional long distance, will continue to destabilize the USF funding base.
- Verizon and Verizon Wireless have developed a comprehensive proposal for a new contribution mechanism that is based primarily on telephone numbers “in use” and supplemented by continued revenue-based contributions from certain other services.
- The proposal is fair, competitively neutral, and addresses concerns specific to each segment of the communications industry.
- Moving to numbers as the basis for assessment would eliminate current distinctions between interstate and intrastate revenues, which are becoming harder to maintain and less appropriate for USF contributions. For example, mobile wireless services have evolved into an interstate service that enables customers to obtain service nationwide. A number-based system effectively captures all of a carrier’s services.
- Verizon and Verizon Wireless’s proposal for contribution reform balances the following important principles –
  - The USF funding base must remain stable and secure.
  - Any new mechanism should broaden the contribution base and capture all providers of voice services regardless of the technology.
  - All voice providers must contribute to the universal service fund on an equitable and technologically neutral basis and should be able to recover these contributions from their end-user customers.
  - Universal service contribution obligations should not guide or distort consumer choices or market decisions and should not unduly burden certain customers or services.
  - Any new contribution methodology should minimize arbitrage opportunities.

## **Details of Verizon -Verizon Wireless Proposal**

- **The Commission Should Assess Only Telephone Numbers In Use**

Only numbers “in use” by a customer should be assessed. Using “assigned” numbers, as reported on Number Resource Utilization Forecast (NRUF) reports, will not work because the reporting carrier does not always have a retail relationship with the end user and thus cannot pass along the USF assessment (example: numbers provided to resellers and ported numbers). Resellers would contribute based on numbers used by their customers.

- **No Assessment on Broadband**

Broadband services should not be assessed directly, but like all other services, if a broadband customer uses a number for voice service (e.g., with a VoIP service) that number should be assessed.

- **Wireless Family Share**

Additional numbers provided through a wireless family share plan that use a common bucket of minutes should each be assessed one-half unit. These plans have made wireless service more affordable and accessible to families by offering “shared” lines at prices as low as \$9.99 per month. Family share numbers operate as part of a single customer account, sharing a single bucket of minutes, and all members’ usage counts toward the overall limit. Assessing a half unit on family share numbers would recognize the “extension” nature of these numbers and not discourage customers from purchasing additional “extensions” for family members.

- **Services without a Number or Billing Relationship**

- **Special Access/ Prepaid Calling Cards**

Special access and prepaid calling card services (which do not use a phone number and are unlikely to be packaged with other services that use a phone number) should continue to contribute on interstate retail revenues. Special access or other business services should not be used as a “residual.” The Commission should not adopt a mechanism with capacity based “tiers” that would penalize providers for rolling out high-speed services.

- **Prepaid Wireless Services**

It is more difficult for prepaid wireless providers to pass through a monthly per number assessment because they do not send monthly bills to customers. Since prepaid wireless customers do not buy service by the month but instead buy blocks of minutes, often in low amounts, a per-month assessment is infeasible. The FCC should either preserve the current revenues-based assessment for prepaid wireless, or adopt a per-number assessment that reflects the unique characteristics of this service.

- **Centrex and Business Customers who Purchase Blocks of Numbers**

Companies need flexibility to recover contribution costs from multi-line business customers to mitigate “rate shock” for certain business customers (which include state and local governments, schools and libraries) who purchase Centrex or other large blocks of numbers.

- **Implementation Period for New Contribution System**

The FCC needs to develop a new reporting system, identify the total number inventory that will be subject to assessments, and determine the per-month assessment. Companies will need to make significant changes to their systems to report and count numbers and notify their customers of the new system. The Commission should thus allow one year to implement the number-based system.

- **No Assessment on Lifeline**

Lifeline numbers should not be assessed given the low-income status of subscribers who are eligible for Lifeline service.